



Chairman Julius Genachowski  
Commissioner Michael Copps  
Commissioner Robert McDowell  
Mr. Blair Levin  
Federal Communications Commission  
445 12th Street, SW  
Washington, DC 20554

Re: WC Docket No. 09-51

July 21, 2009

Dear Chairman Genachowski, Commissioners Copps and McDowell and Mr. Levin:

The Internet Innovation Alliance (IIA) would like to thank you for considering our earlier comments regarding the development of a National Broadband Strategy, and for this opportunity to provide additional feedback. First and foremost, we wanted to direct your attention to a study recently released by Compass Lexecon economists Jon Orszag, Mark Dutz and Bobby Willig (Orszag Report) and commissioned by the IIA. A copy of their report will be submitted as an ex parte filing in Docket No. 09-51. The Orszag Report's findings and several comments supplied by others compels us to offer these additional observations.

### **The Sky Is Not Falling**

A large number of first-round comments to the Commission started from the premise that broadband in America is an unmitigated failure. We disagree. In roughly one decade our nation has gone from practically no broadband deployment or adoption to roughly 90 percent availability and 50 percent adoption. This is an astounding accomplishment. Indeed the Orszag Report found broadband usage in 2008 (66.6 million households) nearly six times that in 2001 (10.4 million households). Cross-platform competition continues to grow between wire line, wireless and cable offerings, with promising new technologies such as broadband over power lines emerging. Market players invest roughly \$60 - \$80 billion annually in infrastructure upgrade and expansion of footprints, with an even more robust and competitive market for online applications.

The Orszag Report also makes clear:

- *Broadband is becoming more valuable to consumers at home.* Consumers receive more than \$30 billion of net benefits from the use of fixed-line broadband at home, up from \$20 billion in 2005.
- *Broadband is an experience good.* Once people experience it, they value it much more highly than they ever thought they would.



Similarly, a June 24, 2009 report from Entropy Economics observes that “[t]he ability of Americans to communicate and capitalize on all of the Internet’s proliferating applications is thus, on average, about 100 times greater than it was in 2000.” And Commissioner Copps correctly noted in the FCC’s 2009 *Report on Rural Broadband Strategy*, that “[m]any of the technologies and resources needed for rural broadband already exist and, with American ingenuity, will become faster and more powerful in the years to come.”

Make no mistake, much work needs to be done and the government role is critical. By focusing on the ten percent of our fellow citizens that have no broadband options at all and the 40 percent that fail to see the value in broadband the United States can leapfrog other nations that boast more ubiquitous deployment. After all, the United States still leads the world in total number of broadband users, multitude of platform choices and application innovation. Policy makers can build upon many strengths, and as you look to fulfill the President’s laudable goal (which we share) of broadband Internet to all Americans, you should first do no harm. A great many parts of our system work. Identify them and build upon them, recognizing that the private sector will need to lead in long-term investment, innovation and content creation.

### **Focus First On What We Know**

Despite the thousands of pages of comments and years worth of reports, there is still plenty that we do not know. Through the broadband mapping, FCC surveys, upcoming Census Bureau efforts and private efforts such as Pew, we will continue to learn much more precise information about where broadband is and is not and who is adopting and who is not (and why). Preliminary actions should therefore focus first on what we do know.

We know roughly 10 million households have no broadband choices. As has been noted previously, the vast majority of Americans with *no option* for broadband Internet are those living in rural areas, where sparse population density and difficult terrain inhibit private investment. Initial efforts and investment by the government should address these market failures, catalyzing investment in unserved communities where private returns would not justify it. Societal returns from ubiquitous connectivity warrant some measure of public investment, though specific investments must always be weighed against alternatives for reaching other unserved users (such as digital literacy programs in urban centers).

We also know roughly 40 percent of households choose not to invest in broadband. They fail to see the value despite compellingly low connection costs, especially now in tough economic times. That suggests the need for government efforts to promote digital literacy, lead by example in broadband-enabling government applications and educate consumers about the benefits and possibilities enabled by broadband Internet usage. The Orszag study is helpful here again, with its econometric analysis concluding:

- *Broadband is valued more once it has been “tasted.”* Those connecting to the broadband Internet at home value their connections over 40 percent more than those





who utilize home dial-up services. Broadband Internet usage begets sustained demand.

- *There is no digital divide for broadband valuation* (as opposed to access or adoption). “Among households that are connected to home broadband, blacks/African Americans, Asians and whites/Caucasians have similar valuations of broadband at home.” Thus efforts to connect the unserved may help address other secondary challenges to the quest for ubiquitous broadband usage.

We know that private sector players invest \$60-\$80 billion annually in infrastructure upgrade and expansion of footprints. Investments are robust among multiple platforms: wire line, wireless, cable and new technologies. These investments enable greater access and more robust applications. One-time grants like the federal stimulus should complement, not imperil, the billions invested annually by the private sector.

Finally we know that new innovators will continue to shake up the market and expand consumer opportunities, absent actions that skew the playing field. This is a healthy and essential part of the broadband marketplace, and the reason our nation remains best-poised to lead the world in future Internet innovations. The Orszag study shared this enthusiasm for future developments, such as smart power grids to proactively maintain and save energy consumption, enhanced communication about health status and potential treatments, and effective web 2.0 tools to better enable civic participation. Federal policies or investments in broadband should never lock communities or the market into specific technologies or standards.

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Once again, we applaud your leadership of the effort to develop a National Broadband Strategy, and we look forward to any opportunity to assist you in this critical work.

Sincerely,

A handwritten signature in blue ink, reading 'Larry Irving'.

Larry Irving, Co-Chair

A handwritten signature in blue ink, reading 'Bruce Mehlman'.

Bruce Mehlman, Co-Chair